

**Company's Registered Number: 07430903**  
**Charity registration number: 1140719**

**THE LEGATUM INSTITUTE FOUNDATION**

**Trustees' Annual Report  
and financial statements  
for the year ended**

**31 December 2016**



THURSDAY



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28/09/2017  
COMPANIES HOUSE

# THE LEGATUM INSTITUTE FOUNDATION

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# THE LEGATUM INSTITUTE FOUNDATION

## TRUSTEES AND ADVISERS

### Trustees

Toby Oliver James Baxendale  
Richard Henry Briance  
Alan James McCormick  
Janie Marie Siebels  
Robert Charles Vickers  
Philippa Claire Stroud  
Simon Edward Brocklebank-Fowler

### Senior management personnel

Shanker Singham	Director of Economic Policy and Prosperity Studies
Christina Odone	Director of the Centre for Character and Values
Matthew Elliot	Senior Fellow
Nathan Gamester	Chief Operating Officer

### Registered and principal office

11 Charles Street  
London  
W1J 5DW

### Websites and social media

www.li.com  
www.prosperity.com  
twitter: @LegatumInst  
Facebook: LegatumInst  
LinkedIn: Legatum Institute  
YouTube: TheLegatumInstitute

### Bankers

Metro Bank plc  
120 Cheapside  
London  
EC2V 7JB

Barclays Bank plc  
Leicester  
LE87 2BB

### Auditor

Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants  
25 Moorgate  
London  
EC2R 6AY

### Solicitors

Bircham Dyson Bell LLP  
50 Broadway  
London  
SW1H 0BL

### Status

The charity is a company limited by guarantee and incorporated and registered as a charity in England and Wales

Company's Registered Number:	07430903
Charity registration number:	1140719

# THE LEGATUM INSTITUTE FOUNDATION

## CHAIR'S REPORT

The Legatum Institute Foundation (the "Institute") is a public charity with a mandate to educate the general public about what drives and restrains national prosperity. The word 'legatum' means 'legacy'. At the Legatum Institute, we are focused on tackling the major challenges of our generation—and seizing the major opportunities—to ensure the legacy we pass on to the next generation is one of increasing prosperity and human flourishing.

For the Institute, 2016 saw the continuation of its innovative programme of research, the highlight of which was the publication of the tenth annual Prosperity Index, launched in central London. In reflection of the strength of the Institute's policy work, the Institute also deepened its network of supporters and donors.

The Institute saw some changes of senior personnel in 2016 including the appointment of a new CEO. In October, the Institute welcomed Baroness Stroud as its new CEO, following the departure of its Executive Director, Sian Hansen. Following Baroness Stroud's appointment, the Institute undertook a restructuring process that saw some of the Institute's scholars and research programmes transition out of the Institute and into new organisations where they continue to thrive.

During 2016, the Institute welcomed through its doors over 2,500 people across approximately 70 events. Guest speakers at these events included the economist and Noble laureate Angus Deaton, New Zealand's Deputy Prime Minister Bill English, Director of the Serpentine Gallery Julia Peyton-Jones, Alan Johnson MP, Greg Hands MP, and former Prime Minister of Denmark Helle Thorning-Schmidt among others.

The Institute's guests spanned many fields of work and included government ministers, members of Her Majesty's Opposition, a Nobel laureate, parliamentarians from around the world, and numerous leading academics, experts, and opinion-shapers. The areas of discussion at the Institute's events were on topics that ranged from economics to architecture and from character to capitalism. The Institute's published reports during the year examined countries as different and diverse as Iceland, Kenya, India, Ukraine, and the UK. In addition, the Institute's scholars hosted events on four continents of the world.

In total, the Institute published 24 reports in 2016, including: *From Poverty to Prosperity*; the *Global Prosperity Index*; the *UK Prosperity Index*; *Project 48:52 – Healing a Divided Britain*; *Trade Tools for the 21<sup>st</sup> Century*; and *A Tide That Lifts All Boats*. All of these developed our understanding of how prosperity is created and sustained across a variety of areas, including economics, education, and social policy.

The Institute continued to grow its digital and media presence and our scholars were published in newspapers such as The Times and The Telegraph and participated in discussions on BBC Newsnight, BBC Question Time, CNN and Bloomberg. The Legatum Institute website received over 230,000 unique visitors during the year and the Prosperity Index website received 310,000 unique visitors.

The Institute raises its funds from a large and diverse group of funders. In 2016, in addition to the funds received from its lead sponsor, Legatum Foundation Limited, the Institute raised £437k in external funding, demonstrating its continued journey towards financial independence.

The Institute's long term goal is to see more and more people around the world move from poverty to prosperity. Much work has been done but there is more to do. All of us at Legatum will continue to work hard to meet this challenge.

In 2017 we will continue to argue that the true measure of prosperity is one that includes economic *and* social wellbeing. We have made great progress and we are excited about the journey we are on. In closing I would like to say a heartfelt thank you to all of the Institute's sponsors who generously support our research programmes, as well as the Institute's growing community who engage across our platform, read our research, and attend our events and are committed with us to creating a more prosperous world. We look forward to what 2017 will bring.

A J McCormick – Chair

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT**

The trustees are pleased to present their annual report together with the financial statements of The Legatum Institute Foundation (the "Institute") for the year ending 31 December 2016.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Institute's Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **OUR PURPOSES AND ACTIVITIES**

The Institute's Objects, as set out in its Articles of Association, are to advance the education of the public in national and international political, social and economic policy, including the promotion of research in any of those areas and the publication of the useful results of such research.

As an international think tank and educational charity, the Institute's overall strategy is to:

- undertake research covering national and international political, social and economic policy; and
- disseminate the results of that research for educational purposes, so as to promote prosperity throughout the world.

This strategy will continue into 2017 and beyond, with the Institute bringing in additional programmatic work to extend its educational reach on prosperity to greater audiences around the world.

In 2016, the Institute ran dedicated research programmes, including Prosperity Studies, The Culture of Prosperity, Transitions Forum, and the Economics of Prosperity. These programmes cover economics and growth, the political and economic development of countries, governance structures, entrepreneurship, and wellbeing. The research also covers core themes of freedom, democracy, and liberty and is focused on under-researched areas of public policy. Through these programmes, the Institute seeks to understand what drives and restrains national success and individual flourishing.

By holding events which are open to the public and publishing reports and educational material which are freely available on its website, the Institute reaches a diverse, global audience. In 2016, the Institute continued to co-publish with Foreign Policy magazine our online platform "Democracy Lab", a journalistic venture that uses on-the-ground journalists to report on political transitions around the world.

As part of its activities during the year, the Institute also published the Legatum Prosperity Index™ in November. The Index assesses a wide range of indicators across several pillars such as education, health, social capital, entrepreneurship, and personal freedom to rank 149 countries. Published annually, the Index has become an essential tool for governments around the world.

The Institute is based in Mayfair, London. Its lead sponsor is Legatum Foundation Limited.

The Institute fulfils its educational purpose by making available the results of our research to the public - all research reports are freely available at [www.li.com](http://www.li.com) and [www.prosperity.com](http://www.prosperity.com). In addition, the Institute runs a range of events throughout the year to promote its research findings. These findings are widely cited in the media, adding to the public's knowledge of the factors which enhance and sustain prosperity.

## THE LEGATUM INSTITUTE FOUNDATION

### TRUSTEES' ANNUAL REPORT (continued)

The Trustees use a variety of criteria in order to assess the success of the Institute, including:

- Research
  - The number of research projects successfully undertaken
  - The number of research reports published
- Education
  - The extent to which the research outcomes are cited in the media
  - The number of downloads of the research reports
  - The number of events and the attendance at the events
- Other
  - The extent to which the research findings are used by governments to assist in formulating policies

The Trustees consider that the wider impact of the Institute's activities will be a general expansion of knowledge of the factors which promote and sustain prosperity. The Trustees expect that this in turn will ultimately lead to greater prosperity for all, particularly for those suffering in countries with current low levels of prosperity. The trustees will continue to review how the Institute's impact is measured to ensure it is tracked and monitored effectively.

### ACHIEVEMENTS AND PERFORMANCE

The Institute's flagship research project, the annual *Legatum Prosperity Index*<sup>TM</sup>, celebrated its tenth year of publication when it was launched in November 2016. Other highlights are listed below.

#### Publications

The Institute published 24 reports in 2016. The 2016 Legatum Prosperity Index<sup>TM</sup> was launched by Helle Thorning-Schmidt, CEO of Save the Children International and former Prime Minister of Denmark. Other reports included Prosperity Without Borders, which considers the role of cities in lifting people out of poverty; a Financial Services Briefing, which looks at the effect on this industry of Britain leaving the European Union; and Facts We Can Believe In, which examines whether we now live in a post-fact world.

#### Events

The Institute held 69 events during 2016, attended by more than 2,500 guests. Highlights included a policy discussion with Bill English, Deputy Prime Minister of New Zealand; a speech and discussion with His Eminence Cardinal Turkson; the third annual Summer Party with guest speaker Michael Gove MP; and the launch of the 2016 Prosperity Index.

#### Social Media

The Institute had over 17 million direct views of its Twitter content during 2016, and increased its Twitter following by more than 2,600, compared to 2015. YouTube subscribers increased by 600 over the year, with video views remaining high at over 100,000.

#### Media

The Institute received a high level of media coverage for the launch of the 2016 Legatum Prosperity Index<sup>TM</sup> and the UK Prosperity Index including coverage in publications such as The Financial Times, CNN, The Daily

## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' ANNUAL REPORT (continued)**

Mail, The Huffington Post, The New Zealand Herald, The Independent, and Business Insider, among many others.

The Institute or its spokespeople were regularly cited by, writing for or broadcasting via media outlets such as BBC Newsnight, BBC Question Time, Sky News, The Times, The Washington Post, CNN and Bloomberg.

### **FINANCIAL REVIEW**

The Institute had funds of £781k as at 31 December 2016, and net current assets of £400k. As detailed below, the Institute receives on-going support from Legatum Foundation Limited, and the Institute is therefore able to meet its obligations as and when they fall due.

The principal sources of income were donations of £3,188k and income from the provision of charitable activities of £1,184k. Sundry trading income was £26k, giving total income of £4,398k for the year. Of this, £3,935k was funded by the Legatum Foundation Limited.

#### **Going concern**

The Institute's activities are currently funded from income received from Legatum Foundation Limited. Legatum Foundation Limited has confirmed that it will continue to support the Institute until the end of December 2019 and, for this reason, the Trustees consider the Institute to be a going concern. Additional income of £463k has been generated during 2016, which will grow and add alternative income streams into the business.

#### **Reserves Policy**

Due to the on-going financial support of Legatum Foundation Limited, the Institute has no current requirement for reserves. As at the year end, the Institute had positive free reserves of £348k (2015 – £254k).

#### **Financial risks and uncertainties**

The most significant financial risk and uncertainty relates to the continuation of funding after December 2019. The Trustees will liaise closely with Legatum Foundation Limited to ensure that they are informed as to the likely future funding and so that they can take appropriate action.

The Trustees note that the Legatum Prosperity Index™ has been funded and published for the last ten years, and they anticipate that it will continue to be funded beyond September 2020.

The Institute's main risks arising from its financial instruments relates to liquidity risks and the Institute liaises closely with its principal funder, Legatum Foundation Limited, to manage its cash flows. The Institute has no specific policies regarding financial instrument risk management.

### **GOVERNANCE AND MANAGEMENT**

The Institute is governed by its Trustees who, during the year and subsequently, were as follows:

Toby Oliver James Baxendale

Richard Henry Briance

Alan James McCormick

Jane Marie Siebels

Robert Charles Vickers

Philippa Claire Stroud

Simon Edward Brocklebank-Fowler

(appointed on 28 November 2016)

(appointed 5 July 2017)

## THE LEGATUM INSTITUTE FOUNDATION

### TRUSTEES' ANNUAL REPORT (continued)

The Trustees confirm that they have had regard to the Charity Commission's guidance on public benefit.

The current trustees are already familiar with the practical work of the Institute and in most cases involve themselves actively in the programmes. New trustees are sought from the fields of entrepreneurship, philanthropy, academia and business. Any new trustee is presented with a comprehensive induction pack, and has the opportunity to shadow a current Trustee as well as meet all the senior programme researchers.

The Trustees confirm that they have reviewed the risks that the Institute faces and taken appropriate steps to implement processes to manage those risks.

In the case of each person who was a Trustee at the time this report was approved:

- so far as that Trustee was aware, there was no relevant audit information of which the Institute's auditors were unaware; and
- that Trustee had taken all steps that he/she ought to have taken as a trustee to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors were aware of that information.

The Trustees are responsible for setting the overall strategy of the Institute and for overseeing the delivery of that strategy. As part of these responsibilities, the Trustees approve the allocation of resources to the Institute's various programmes.

During the year, the Institute was managed on a day to day basis by an Executive Director who stepped down in July. Between July-October the Institute was managed by an interim CEO before a new CEO was appointed in October. The Institute was supported by a senior team including the Director of Economics and Prosperity Studies and the Director of Communications. This wider team oversees the Institute's various programmes and activities. The Executive Director's remuneration was reviewed by the Trustees, using criteria which included the achievement of the Institute's strategy and business plans, market data and the outcome of the annual appraisal review.

Details of the related parties are set out in the financial statements. The members have the power to appoint and dismiss trustees.

#### Plans for future periods

The Institute will continue with its current strategy, as set out above. Specific plans for the coming year include:

- A review of the Institute's research priorities
- Celebrating the eleventh year of the Legatum Prosperity Index™
- The launch of the Centre for Metrics
- Launch of the economic distortions index

Approved by and signed on behalf of the Trustees



A J McCormick – Trustee



## **THE LEGATUM INSTITUTE FOUNDATION**

### **TRUSTEES' RESPONSIBILITIES STATEMENT**

The Trustees (who are also directors of the company for the purposes of applicable company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the company for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE FOUNDATION**

We have audited the financial statements of The Legatum Institute Foundation for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 7, the Trustees (who are also the directors of the company for the purposes of applicable company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LEGATUM INSTITUTE  
FOUNDATION (CONTINUED)**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

*Nexia Smith & Williamson*

**Andrew Bond**

Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

Date: 27/9/17

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL ACTIVITIES (Incorporating the income and expenditure account) for the year ended 31 December 2016

	Notes	2016			2015		
		Un-restricted funds £	Restricted funds £	Total £	Un-restricted funds £	Restricted funds £	Total £
<b>Income and endowments from:</b>							
Donations	4	3,033,004	155,502	3,188,506	2,173,577	128,900	2,302,477
Charitable activities	5	84,992	1,098,781	1,183,773	49,592	1,907,755	1,957,347
Other trading activities		25,800	-	25,800	12,846	-	12,846
<b>Total</b>		<b>3,143,796</b>	<b>1,254,283</b>	<b>4,398,079</b>	<b>2,236,015</b>	<b>2,036,655</b>	<b>4,272,670</b>
<b>Expenditure on:</b>							
Raising funds		8,444	-	8,444	7,018	-	7,018
Charitable activities	6	3,135,135	1,213,783	4,348,918	1,887,628	2,036,655	3,924,283
<b>Total</b>		<b>3,143,579</b>	<b>1,213,783</b>	<b>4,357,362</b>	<b>1,894,646</b>	<b>2,036,655</b>	<b>3,931,301</b>
<b>Net income and net movement in funds</b>		<b>217</b>	<b>40,500</b>	<b>40,717</b>	<b>341,369</b>	<b>-</b>	<b>341,369</b>
Total funds brought forward		739,995	-	739,995	398,626	-	398,626
<b>Total funds carried forward</b>		<b>740,212</b>	<b>40,500</b>	<b>780,712</b>	<b>739,995</b>	<b>-</b>	<b>739,995</b>

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Property, plant and equipment	11	392,504	486,460
Investments in subsidiaries	12	1	1
		<u>392,505</u>	<u>486,461</u>
<b>Current assets</b>			
Debtors	13	82,534	168,747
Cash at bank and in hand		881,183	525,556
		<u>963,717</u>	<u>694,303</u>
<b>Creditors: amounts falling due within one year</b>	14	(563,264)	(428,523)
		<u>400,453</u>	<u>265,780</u>
<b>Total assets less current liabilities</b>		792,958	752,241
Creditors: amounts falling due after more than one year	14	(12,246)	(12,246)
<b>Net assets</b>		<u>780,712</u>	<u>739,995</u>
<b>Funds</b>	16		
Restricted funds		40,500	-
Unrestricted funds		740,212	739,995
		<u>780,712</u>	<u>739,995</u>

The financial statements were approved and authorised for issue by the Trustees on 26/09/2017 and were signed on their behalf by:

  
A J McCormick – Trustee

Company number: 07430903

# THE LEGATUM INSTITUTE FOUNDATION

## STATEMENT OF CASH FLOWS for the year ended 31 December 2016

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Net cash flow provided by operating activities	17	415,997	293,254
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(60,370)	(35,542)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the year</b>		355,627	257,712
Cash and cash equivalents as at beginning of the year		525,556	267,844
		<hr/>	<hr/>
<b>Cash and cash equivalents as at end of the year</b>		881,183	525,556
		<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of cash and cash equivalents</b>			
Cash at bank and in hand		881,183	525,556
		<hr/> <hr/>	<hr/> <hr/>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

### 1 Status of the Foundation

The Legatum Institute Foundation (the “Institute”) is a company limited by guarantee and is incorporated, and registered as a charity, in England and Wales. Its registered office address is 11 Charles Street, London, W1J 5DW.

In the event of the Institute being wound up, the liability in respect of the guarantee is limited to £1 per member.

### 2 Accounting policies

The principal accounting policies are summarised below.

#### Basis of preparation

These financial statements are prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) and with the Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with FRS 102 issued in 2014 and updated in 2016. The financial statements are also prepared in accordance with the Companies Act 2006 and the Charities Act 2011.

The Institute is a public benefit entity, as defined by FRS 102.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Institute’s accounting policies.

#### Non-consolidation

The Institute’s subsidiary company did not trade throughout the period to 31 December 2016 and therefore the Institute is exempt from preparing consolidated financial statements. Accordingly, these financial statements present information about the Institute as an entity.

#### Going concern

The Trustees have prepared the financial statements using the going concern basis.

The vast majority of the Institute’s income is derived from Legatum Foundation Limited (see notes 4, 5, 20 and 21), either in the form of sponsorship income or donations. The sponsorship income is paid in accordance with an enduring contract; however this contract can be terminated by either party by giving three months’ notice. The Institute has no contractual right to the donations, although the Legatum Foundation Limited has pledged to continue to provide funding for 2017, 2018 and 2019.

The Trustees are confident that Legatum Foundation Limited will continue to provide sufficient funds to the Institute to enable it to continue its activities for the foreseeable future and for this reason they have adopted the going concern basis for the preparation of the financial statements.

#### Revenue

Revenue from exchange contracts is measured at the fair value of the right to consideration and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

Sponsorship income is recognised as the services are provided, based on the Trustees' best estimate of progress against the relevant contract and amounts which will ultimately become due under the contract.

Fundraising trading income is recognised as the services are provided.

Income from non-exchange transactions are recognised when the Institute has entitlement to the income, when the income can be reliably measured and when it is more probable than not that the Institute will receive the income. Specifically, donations are included in the financial statements when received or, in the case of donations from Legatum Foundation Limited, when the Institute is notified of them.

To the extent that they are material, any donated services are recognised at their estimated value to the Institute.

#### **Expenses**

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the Institute in the delivery of its charitable activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Indirect costs are apportioned to charitable activities and other activities based on the estimated proportion of time incurred by support staff in supporting the various activities.

#### **Foreign currencies**

Transactions denominated in a foreign currency are translated into Sterling at the rate of exchange ruling at the date of the transaction. At the Statement of Financial Position date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income and expenditure account.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the Statement of Financial Position date, all leases are classified as operating leases.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

#### **Employee benefits**

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Redundancy and similar costs are recognised when the relevant employees have been informed that a redundancy programme has commenced.



# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 2 Accounting policies (continued)

#### Pension scheme

The Institute operates a defined contribution plan. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Institute in independently administered funds.

#### Fund accounting

Incoming resources from non-exchange transactions are categorised as restricted when the counter-party imposes restrictions as to the use of the funds. Any interest earned on restricted funds is also categorised as restricted income. All other incoming resources are categorised as unrestricted.

Direct and indirect expenditure relating to restricted income is categorised as restricted expenditure to the extent that it is covered by available restricted funds; any excess expenditure is classified as unrestricted.

#### Property, plant and equipment

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used on a straight line basis:

Leasehold improvements	-	Shorter of lease term or useful life
Computer equipment	-	33% (3 years)

#### Impairment of non-financial assets

At each Statement of Financial Position date, tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest relevant levels; for assets used for charitable purposes, the levels are considered by reference to separately identifiable charitable activities; for those assets used for fundraising trading purposes, the levels used are those for which there are separately identifiable cash flows. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the statement of financial activities.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Institute becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Institute will not be able to collect all amounts due.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

#### **2 Accounting policies (continued)**

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Institute's cash management.

Other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable, which is ordinarily equal to the proceeds received. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

#### **Taxation**

The Institute is exempt from tax on its activities provided that the surpluses are used for charitable activities. Therefore no provision for direct or deferred tax arises.

#### **3 Key judgements and sources of estimation uncertainty**

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

#### **Judgements**

The most significant judgement made by the Trustees in preparing the financial statements relates to the use of the going concern basis for the preparation of the financial statements, as described in note 2.

Other judgements relate to the basis on which support costs are allocated to the various activities of the Institute (note 7).

#### **Estimation uncertainty**

The only significant sources of estimation uncertainty relates to the expected useful economic life of the property, plant and equipment, and the method by which support costs are apportioned to charitable and other activities. The useful economic lives of property, plant and equipment are detailed above. Support costs are apportioned on the estimated time that relevant staff spend supporting on each charitable and other activity; this is estimated based on the direct expenditure for each activity.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 4 Income from donations

	2016 £	2015 £
Unrestricted:		
Legatum Foundation Limited	2,979,879	2,122,476
Other	53,125	51,101
	<u>3,033,004</u>	<u>2,173,577</u>
Restricted:		
Legatum Foundation Limited	-	-
Other	155,502	128,900
	<u>155,502</u>	<u>128,900</u>
	<u>3,188,506</u>	<u>2,302,477</u>

The restricted donations are analysed as follows:

	Prosperity Studies £	Economics of Prosperity £	Culture of Prosperity £	Transitions Forum £	Centre for Character & Values £	Total £
Year ended 31 December 2016	40,502	70,000	20,000	-	25,000	155,502
Year ended 31 December 2015	-	78,000	40,900	10,000	-	128,900

### 5 Income from charitable activities

	Prosperity Studies £	Economics of Prosperity £	Culture of Prosperity £	Transitions Forum £	Centre for Character & Values £	Total £
Year ended 31 December 2016						
Restricted income	432,068	218,932	76,006	285,008	86,767	1,098,781
Unrestricted income						84,992
						<u>1,183,773</u>

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

**5 Income from charitable activities (continued)**

	<b>Prosperity Studies</b>	<b>Economics of Prosperity</b>	<b>Culture of Prosperity</b>	<b>Transitions Forum</b>	<b>Total</b>
Year ended 31 December 2015	£	£	£	£	£
Restricted income	665,355	239,486	183,646	819,268	1,907,755
Unrestricted income					49,592
					1,957,347

The income from charitable activities primarily relates to amounts paid by Legatum Foundation Limited for undertaking various programmes of work (2016 - £954,821; 2015 - £1,926,392).

**6 Analysis of expenditure on charitable activities**

<b>Year ended 31 December 2016</b>	<b>Prosperity Studies</b>	<b>Economics of Prosperity</b>	<b>Culture of Prosperity</b>	<b>Transitions Forum</b>	<b>Centre for Character &amp; Values</b>	<b>Total</b>
	£	£	£	£	£	£
Staff costs	252,523	118,049	86,787	535,233	138,982	1,131,574
Travel and entertainment	28,215	10,225	3,098	36,612	3,069	81,219
Office overheads	7,059	-	-	-	-	7,059
Stationary, postage and publications	32,701	16,185	4,354	7,431	2,820	63,491
IT and communications	94,958	-	162	262	-	95,382
Advertising, events and conferences	30,342	9,322	9,702	6,603	4,589	60,558
Professional fees	51,481	111,766	126,519	153,855	29,614	473,235
Recovered VAT	(27,482)	(18,130)	(13,653)	10,033	(2,430)	(51,662)
Total direct costs	469,797	247,417	216,969	750,029	176,644	1,860,856
Allocated support costs (note 7)	667,070	315,650	276,803	1,003,182	225,357	2,488,062
Total	1,136,867	563,067	493,772	1,753,211	402,001	4,348,918

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

**6 Analysis of expenditure on charitable activities (continued)**

<b>Year ended 31 December 2015</b>	<b>Prosperity Studies</b>	<b>Economics of Prosperity</b>	<b>Culture of Prosperity</b>	<b>Transitions Forum</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Staff costs	207,783	138,371	39,815	524,183	910,152
Travel and entertainment	21,878	11,731	7,223	52,344	93,176
Office overheads	5,493	7,795	9,481	8,724	31,493
Stationary, postage and publications	3,937	-	201	611	4,749
IT and communications	101,589	2,005	-	805	104,399
Advertising, events and conferences	28,381	2,880	10,885	10,404	52,550
Professional fees	97,657	103,634	91,736	144,043	437,070
Total direct costs	466,718	266,416	159,341	741,114	1,633,589
Allocated support costs (note 7)	654,454	373,581	223,435	1,039,224	2,290,694
Total	1,121,172	639,997	382,776	1,780,338	3,924,283

**7 Support costs**

<b>Year ended 31 December 2016</b>	<b>Communi-cations and Marketing</b>	<b>Centre and Operations</b>	<b>Gover-nance</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Staff costs	308,180	824,879	-	1,133,059
Travel and entertainment	8,800	20,390	-	29,190
Office overheads	4,852	645,079	-	649,931
Repairs and maintenance	-	80,189	-	80,189
Stationary, postage and publications	28,741	11,257	-	39,998
IT and communications	97	88,426	-	88,523
Advertising, events and conferences	29,862	12,511	-	42,373
Professional fees	81,516	173,781	-	255,297
Depreciation	-	154,326	-	154,326
Governance (note 8)	-	-	55,389	55,389
Recovered VAT	(7,350)	(24,419)	-	(31,769)
Total	454,698	1,986,419	55,389	2,496,506

**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

**7 Support costs (continued)**

<b>Year ended 31 December 2015</b>	<b>Communi- cations and Marketing £</b>	<b>Centre and Operations £</b>	<b>Gover- nance £</b>	<b>Total £</b>
Staff costs	440,415	661,238	-	1,101,653
Travel and entertainment	7,903	12,062	-	19,965
Office overheads	8,134	597,905	-	606,039
Repairs and maintenance	187	35,283	-	35,470
Stationary, postage and publications	35,064	20,886	-	55,950
IT and communications	4,152	121,254	-	125,406
Advertising, events and conferences	12,104	2,353	-	14,457
Professional fees	58,538	77,644	-	136,182
Depreciation	-	142,826	-	142,826
Governance (note 8)	-	-	59,764	59,764
<b>Total</b>	<b>566,497</b>	<b>1,671,451</b>	<b>59,764</b>	<b>2,297,712</b>

Support costs are allocated as follows:

	<b>2016 £</b>	<b>2015 £</b>
Raising funds	8,444	7,018
Prosperity Studies	667,070	654,454
Economics of Prosperity	315,650	373,581
Culture of Prosperity	276,803	223,435
Transitions Forum	1,003,182	1,039,224
Centre for Character & Values	225,357	-
Charitable activities	2,488,062	2,290,694
<b>Total</b>	<b>2,496,506</b>	<b>2,297,712</b>

Support costs apportioned to raising funds are based on the direct costs relating to the estimated time spent by the relevant staff on the trading activities, plus a corresponding proportion of other support costs incurred. The remaining support costs have been apportioned to the charitable activities in proportion to the direct costs.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 8 Governance costs

	2016	2015
	£	£
Auditor's fee – current year	9,250	9,000
Legal and professional	46,139	50,764
	<hr/>	<hr/>
Total	55,389	59,764
	<hr/>	<hr/>

### 9 Employee information

	2016	2015
	£	£
Wages and salaries	1,806,131	1,717,730
Social security costs	196,465	193,758
Pension costs	2,833	-
	<hr/>	<hr/>
	2,005,429	1,911,488
	<hr/>	<hr/>

The average number of persons, including directors, employed throughout the year by the Foundation was:

	2016 Number	2015 Number
Prosperity Studies	6	5
Economics of Prosperity	1	2
Culture of Prosperity	3	1
Fundraising	2	2
Transitions Forum	6	6
Communications and Marketing	6	7
Centre and Operations	7	8
	<hr/>	<hr/>
Total	31	31
	<hr/>	<hr/>

### Trustees' remuneration

Philippa Stroud received remuneration of £26,088 (2015: nil) and pension contributions of £2,833 (2015: nil) in her role as Executive Director, as approved by the Charity Commission. No (2015 – no) other Trustees received any remuneration; two other trustees received travel expenses of £6,395 (2015 – none) in the year.

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 9 Employee information (continued)

#### Key management remuneration

Key management are defined as being the Trustees and the Executive Director. Key management remuneration (which includes national insurance contributions, pension costs and redundancy costs) was £234,824 covering an eight month period (2015: £268,039).

#### Redundancy costs

During the year, redundancy costs of £134,018 (2015: £58,619) were incurred and paid by the Institute.

#### Higher paid employees

The number of staff whose emoluments were in excess of £60,000 per annum was as follows:

	2016 Number	2015 Number
£60,001 - £70,000	-	1
£70,001 - £80,000	-	1
£80,001 - £90,000	2	-
£90,001 - £100,000	1	-
£110,001 - £120,000	2	1
£120,001 - £130,000	-	1
£180,001 - £190,000	1	-
£200,001 - £210,000	1	-
£210,001 - £220,000	-	1
£230,001 - £240,000	-	1

### 10 Surplus on ordinary activities is stated after charging / (crediting):

	2016 £	2015 £
Depreciation	154,326	142,826
Foreign exchange gains	(19,725)	(36,992)
Operating leases – land and buildings	517,917	517,917
Services provided by the company's auditor		
For audit services	11,125	9,000
For other services:		
Accounts preparation	4,975	3,000
Tax advisory work	4,190	3,985
Maintenance of payroll	5,110	5,955



**THE LEGATUM INSTITUTE FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

**11 Property, plant and equipment**

	<b>Leasehold improvements</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
As at 1 January 2016	624,731	26,525	651,256
Additions	44,517	15,853	60,370
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2016</b>	<b>669,248</b>	<b>42,378</b>	<b>711,626</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
As at 1 January 2016	157,229	7,567	164,796
Charge for the year	144,551	9,775	154,326
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2016</b>	<b>301,780</b>	<b>17,342</b>	<b>319,122</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
As at 31 December 2016	367,468	25,036	392,504
	<hr/>	<hr/>	<hr/>
As at 1 January 2016	467,502	18,958	486,460
	<hr/>	<hr/>	<hr/>

**12 Investments in subsidiaries**

<b>Cost</b>	<b>£</b>
As at 1 January 2016 and 31 December 2016	1
	<hr/>

The Institute owns 100% of the issued share capital of LIF Trading Limited, a company incorporated in England and Wales. The company has not traded since incorporation and has issued share capital of £1.

**13 Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Debtors: amounts falling due within one year</b>		
Trade debtors	27,563	38,400
Prepayments and accrued income	53,926	31,065
Other debtors	-	44,737
Amounts owed by group undertakings	1,045	54,545
	<hr/>	<hr/>
	<b>82,534</b>	<b>168,747</b>
	<hr/>	<hr/>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 14 Creditors

	2016	2015
	£	£
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	67,426	54,459
Accruals and other creditors	326,790	229,431
Deferred income	90,208	90,408
Other tax and social security	78,840	54,225
	<u>563,264</u>	<u>428,523</u>
<b>Creditors: amounts falling due after more than one year</b>		
Related party loans (note 21)	12,246	12,246
	<u>12,246</u>	<u>12,246</u>

The movement in deferred income in the year was as follows:

	2016	2015
	£	£
As at 1 January 2016	90,408	-
Income received and deferred	136,150	117,900
Released to income	(136,350)	(27,492)
	<u>90,208</u>	<u>90,408</u>

Income is deferred as it relates to charitable services which are to be provided over future periods.

### 15 Financial instruments

	2016	2015
	£	£
Financial assets which are debt instruments measured at amortised cost	<u>28,608</u>	<u>92,945</u>
Financial assets which are equity instruments measured at amortised cost	<u>1</u>	<u>1</u>
Financial liabilities measured at amortised cost	<u>347,960</u>	<u>186,565</u>

# THE LEGATUM INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

### 16 Funds

	At 1 January 2016 £	Income £	Expend- iture £	At 31 December 2016 £
<b>Restricted funds</b>				
Prosperity Studies	-	472,570	(432,070)	40,500
Economics of Prosperity	-	288,932	(288,932)	-
Culture of Prosperity	-	96,006	(96,006)	-
Transitions Forum	-	285,008	(285,008)	-
Centre for Character & Values		111,767	(111,767)	
	-	1,254,283	(1,213,783)	40,500
Unrestricted funds	739,995	3,143,796	(3,143,579)	740,212
	739,995	4,398,079	(4,357,362)	780,712

The restricted funds relate to the Institute's various programmes, as follows:

- Prosperity Studies – the study of and measurement of countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital and personal freedom.
- Economics of Prosperity – focused on the key economic drivers of future prosperity and long-term GDP growth.
- Culture of Prosperity – focused on the values that motivate individuals, societies and nations, and which are reflected and encapsulated in the cultural achievements that endure, including increased prosperity.
- Transitions Forum – the study of radical political and economic change through case studies, lectures and workshops, offering lessons learned for current and future transitions across the globe.
- Centre for Character & Values – serves as a catalyst for 'virtuous action'— not only evaluating, but also designing, programmes that support the most vulnerable people among us, these programmes are promoted to government, charities, the private sector, and the public at large.

### 17 Reconciliation of net income to cash flows from operating activities

	2016 £	2015 £
Net income for the year as per the statement of financial activities	40,717	341,369
Adjustments for:		
Depreciation	154,326	142,826
Movement in debtors	86,213	(139,193)
Movement in creditors due within one year	134,741	(36,601)
Movement in creditors due after more than one year	-	(15,147)
	415,997	293,254

## THE LEGATUM INSTITUTE FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

#### 18 Capital commitments

There were no capital commitments as at the year-end (2015 – none).

#### 19 Operating lease commitments

At 31 December 2016 the Institute had future minimum lease payments under a non-cancellable operating lease for each of the following periods as follows:

	2016	2015
	£	£
Within one year	565,000	565,000
Between two and five years	800,417	1,365,417
	<u>1,365,417</u>	<u>1,930,417</u>

Following the year end, the lease was extended to 31 May 2027 with a break date of 1 June 2022; either the landlord or the Institute can exercise the break clause by giving six months' notice.

#### 20 Parent undertakings

The Institute is a company limited by guarantee. During 2016, Legatum Institute, a company registered in the Cayman Islands (registration number FC028686), was its sole member. Legatum Institute is currently inactive. Subsequent to the year end, a number of individuals were appointed as members and Legatum Institute resigned as a member.

As at the reporting date, the Institute's ultimate parent undertaking was Legatum Partnership LLP, a limited liability partnership registered in Jersey (registration number 23). Legatum Partnership LLP acts as the holding entity for the Legatum group which is a private investment firm. Following the change of membership, the charity now has no parent undertaking.

Neither Legatum Institute nor Legatum Partnership LLP were considered to have control for accounting purposes, as they cannot receive benefits from the Institute's activities.

#### 21 Related party transactions

Legatum Foundation Limited, a company registered in the Bermuda, is controlled by the Institute's ultimate parent undertaking. The Institute received donations and sponsorship income from Legatum Foundation Limited as detailed in the relevant notes to these financial statements. The donations were unrestricted as to their use and otherwise unconditional. As at the year end, the balance due to Legatum Foundation Limited was £12,780 (2015: £12,780). In addition, £534 (2015: £534) was due from a US registered charity of the same name as the Institute; this US charity shares the same ultimate parent.

As at the year end, a balance of £1,045 (2015: £54,545) was due from LIF Trading Limited, the Institute's 100% owned subsidiary (see note 12).

During 2015, Legatum Limited, a company controlled by the Institute's ultimate parent undertaking, provided bookkeeping services to the Institute. No charge was made in respect of this service and the estimated value of the service has not been recognised as it is considered to be immaterial.

## **THE LEGATUM INSTITUTE FOUNDATION**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)**

#### **21 Related party transactions (continued)**

The Institute is party to a lease with Basswood Properties Limited, a company registered in the British Virgin Islands. This company is a related party as it is controlled by the Institute's ultimate parent undertaking. During the year, the rent paid to Basswood Properties was £565,000 (2015: £565,000); as at the year end, there were no amounts outstanding.

During the year Catalitix Limited, a company controlled by Legatum Foundation Limited, was used by the Institute to carry out consultancy work. Catalitix is registered at 11 Charles Street; no charge is made for use of the registered office. Income of £25,800 has been recognised in 'other trading activities' with resultant costs of £8,444 in 'raising funds'.